
**TWENTY-SEVENTH AMENDMENT
FRACTIONAL OFFERING PLAN
FIFTH AND FIFTY-FIFTH RESIDENCE CLUB
TWO EAST 55TH STREET
NEW YORK, NEW YORK 10022**

Sponsor:

St. Regis Residence Club, New York Inc.
c/o Vistana Signature Experiences, Inc.
9002 San Marco Court
Orlando, Florida 32819
(407) 903-4000

Dated: October 24, 2017

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TWENTY-SEVENTH AMENDMENT

TO

FRACTIONAL OFFERING PLAN

INTRODUCTION

This Twenty-Seventh Amendment modifies and supplements the terms of the Fractional Offering Plan for the Fifth and Fifty-Fifth Residence Club located at Two East 55th Street, New York, New York 10022 dated February 17, 2006 ("Offering Plan"), as amended, and should be read in conjunction with the Offering Plan, as previously amended.

The terms of this Amendment are as follows:

1. **STATUS OF CLOSING CLUB INTERESTS**

As of September 30, 2017, Sponsor closed title on the sale of approximately 301 Club Interests out of a total of 372 Club Interests, leaving approximately 71 Club Interests available for sale.

2. **PURCHASE PRICE SCHEDULE**

Annexed hereto as Exhibit "A" is a "Schedule A – Purchase Prices and Related Information" which reflects the current purchase prices for each of the Club Interests.

THE PURCHASE PRICES SET FORTH IN SCHEDULE A HAVE BEEN SET BY SPONSOR AND ARE NOT SUBJECT TO APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENT AGENCT.

3. **2016 CLUB FINANCIAL STATEMENTS**

Annexed to the Twenty-Fifth Amendment as Exhibit "F" is a copy of the financial statements of the Club Association for the year ended December 31, 2015, prepared by Myers, Bretholtz & Company, PA, Certified Public Accountants. The financial statements of the Club Association for the year ended December 31, 2016 are not yet available.

4. **2016 CONDOMINIUM FINANCIAL STATEMENTS**

Annexed hereto as Exhibit "B" is a copy of the financial statements of the Condominium for the year ended December 31, 2016, prepared by Myers, Bretholtz & Company, PA, Certified Public Accountants.

5. **2017 CLUB BUDGET**

Annexed to the Twenty-Sixth Amendment as Exhibit "B" is the Operating Budget of the Club Association for the year commencing January 1, 2017, which was adopted by the Club Board.

6. **2017 CONDOMINIUM BUDGET**

Annexed to the Twenty-Sixth Amendment as Exhibit "C" is the Operating Budget of the Condominium for the year commencing January 1, 2017, which was adopted by the Condominium Board.

7. **CLUB BOARD**

The present officers and members of the Club Board are as follows:

<u>Name</u>	<u>Office</u>	<u>Affiliation</u>
Skip Kotkins	President	Club Owner
Keith Balter	Vice President & Secretary	Club Owner
Guy Collette	Treasurer	Club Owner
Dale Curtin	Director	Sponsor

Sponsor does not control the Club Board.

8. **CONDOMINIUM BOARD**

The present officers and members of the Condominium Board are as follows:

<u>Name</u>	<u>Office</u>	<u>Affiliation</u>
Timothy Grisius	President	Hotel
Sarah Hays	Vice President	Hotel
Marvin Schein	Vice President	Suites
Andrew Bodziak	Secretary	Hotel
Allison Helminski	Treasurer	Hotel
David Greenbaum	Manager	Retail
Keith Balter	Manager	Club

The Hotel and Retail Board Members will at all times control the Condominium Board through the designation of a majority of its members.

9. **INCORPORATION OF PLAN**

The Plan, as modified and supplemented by this Amendment, is incorporated herein by reference with the same effect as if set forth at length.

10. **DEFINITIONS**

Any term used in this Amendment not otherwise defined herein shall have the same meaning ascribed to it in the Plan.

11. **NO MATERIAL CHANGES**

Except as set forth in this Amendment, there have been no material changes of facts or circumstances affecting the Property or the offering.

12. **EXTENSION OF PLAN**

This Amendment extends the term of the Plan.

SPONSOR:

**ST. REGIS RESIDENCE CLUB, NEW YORK
INC.**

EXHIBIT "A"

SCHEDULE A – PURCHASE PRICES AND RELATED INFORMATION

DEF00244503

SCHEDULE A - PURCHASE PRICES AND RELATED INFORMATION

FIFTH AND FIFTY-FIFTH RESIDENCE CLUB

Two East 55th Street

New York, New York 10022

Number	Bedrooms	Bathrooms	Declaration ¹ Square Feet	"Usable" Square Feet	Facing	PURCHASE PRICE			PROJECTED ANNUAL CLUB CHARGES		
						2		3	Real Estate Taxes	Other Club Expenses	Total Club Charges (a)+(b)
						(a)	(b)				
801	One	Two	1061	935	Interior & 5 th Avenue	\$700,000	\$2,859.97	\$15,632.91	\$18,492.88		
901	One	Two	1061	935	Interior & 5 th Avenue	\$700,000	\$2,859.97	\$15,632.91	\$18,492.88		
803	Two	Two	1546	1383	5 th Avenue & 55th St.	\$1,000,000	\$4,409.55	\$20,462.32	\$24,871.87		
903	Two	Two	1546	1383	5 th Avenue & 55th St.	\$1,000,000	\$4,409.55	\$20,462.32	\$24,871.87		
1103	Two	Two	1546	1383	5 th Avenue & 55th St.	\$1,000,000	\$4,409.55	\$20,462.32	\$24,871.87		
807	One	One	738	625	55th Street	\$450,000	\$2,859.97	\$15,632.91	\$18,492.88		
907	One	One	738	625	55th Street	\$450,000	\$2,859.97	\$15,632.91	\$18,492.88		
1007	One	One	738	625	55th Street	\$500,000	\$2,859.97	\$15,632.91	\$18,492.88		
808	Studio	One	523	445	Interior	\$387,000	\$1,541.05	\$11,522.37	\$13,063.42		
908	Studio	One	523	445	Interior	\$387,000	\$1,541.05	\$11,522.37	\$13,063.42		
809	Studio	One	474	415	55th Street	\$387,000	\$1,541.05	\$11,522.37	\$13,063.42		
909	Studio	One	474	415	55th Street	\$387,000	\$1,541.05	\$11,522.37	\$13,063.42		
815	Two	Three	1507	1290	55th Street	\$750,000	\$4,409.55	\$20,462.32	\$24,871.87		
915	Two	Three	1507	1290	55th Street	\$750,000	\$4,409.55	\$20,462.32	\$24,871.87		
818	Two	Three	1593	1395	Interior	\$750,000	\$4,409.55	\$20,462.32	\$24,871.87		
918	Two	Three	1593	1395	Interior	\$750,000	\$4,409.55	\$20,462.32	\$24,871.87		
1018	Two	Three	1539	1349	Interior	\$750,000	\$4,409.55	\$20,462.32	\$24,871.87		
821	Two	Two	1129	957	55th Street	\$650,000	\$4,409.55	\$20,462.32	\$24,871.87		
921	Two	Two	1129	957	55th Street	\$650,000	\$4,409.55	\$20,462.32	\$24,871.87		
1021	Two	Two	1129	957	55th Street	\$650,000	\$4,409.55	\$20,462.32	\$24,871.87		
1121	Two	Two	1129	957	55th Street	\$650,000	\$4,409.55	\$20,462.32	\$24,871.87		
822	One	Two	1070	832	Interior	\$522,000	\$2,859.97	\$15,632.91	\$18,492.88		
922	One	Two	1070	832	Interior	\$522,000	\$2,859.97	\$15,632.91	\$18,492.88		
835	Two	Three	1458	1263	55th Street	\$800,000	\$4,409.55	\$20,462.32	\$24,871.87		
935	Two	Three	1458	1263	55th Street	\$800,000	\$4,409.55	\$20,462.32	\$24,871.87		

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SCHEDULE A - PURCHASE PRICES AND RELATED INFORMATION

FIFTH AND FIFTY-FIFTH RESIDENCE CLUB

Two East 55th Street

New York, New York 10022

CLUB UNIT 1				PURCHASE PRICE 2	PROJECTED ANNUAL CLUB CHARGES 3					
Number	Bedrooms	Bathrooms	"Condominium Declaration" Square Feet		"Usable" Square Feet	Facing	Real Estate Taxes (a)	Other Club Expenses (b)	Total Club Charges (a)+(b)	
836	Two	Three	1455	1260	1260	Interior	\$700,000	\$4,409.55	\$20,462.32	\$24,871.87
926	Two	Three	1455	1260	1260	Interior	\$700,000	\$4,409.55	\$20,462.32	\$24,871.87
1035	Two	Three	1458	1262	55th Street	\$600,000	\$4,409.55	\$20,462.32	\$24,871.87	
1135	Two	Three	1458	1262	Interior	\$600,000	\$4,409.55	\$20,462.32	\$24,871.87	
1035	Two	Three	1455	1259	55th Street	\$700,000	\$4,409.55	\$20,462.32	\$24,871.87	
1135	Two	Three	1438	1245	Interior	\$700,000	\$4,409.55	\$20,462.32	\$24,871.87	
TOTALS						\$243,904,000	\$1,372,699	\$6,771,195	\$8,149,695	

See Notes to Schedule A

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Notes to Schedule A

1. The Club Units on Floors 8, 9, 10 and 11 contain studios; one-bedrooms; and two-bedroom duplexes. The Club Interest in each Club Unit is equal to a fraction, the numerator of which is four (4) and the denominator of which is fifty-two (52).

Purchasers should refer to the Floor Plans set forth in Part II of the Offering plan for an approximation of the dimensions and layouts of the Club Units. The "Condominium Declaration" square footage represents the square foot area of the Club Unit measured horizontally on each floor from the interior side of the glazing or the exterior walls at the Building line and/or the Property line to the midpoint of the interior walls and partitions separating one Club Unit from another Unit, or the public side of the interior walls separating a Club Unit from public corridors, stairs, elevators and other mechanical equipment spaces or any Common Elements. Column and mechanical pipes (whether along the perimeter or with the Club Unit) are not deducted from the square foot area of the Club Unit. The "useable" square foot area of a Club Unit represents that portion of the Club Unit to which the Club Owner has access (i.e., interior painted surfaced to interior painted surface, including kitchen counters, bathtubs, etc.). The square foot area and dimensions of the Club Units are approximate and may vary due to field conditions. No such variation will affect a Purchaser's obligations under the Purchase Agreement or the Offering Plan unless the square foot area of the Club Unit is diminished by more than five percent (5%) (excluding interior partitions), therefore affording Purchaser a fifteen (15) day right to rescind.

The number of rooms in each Club Unit has been computed by Sponsor in accordance with industry standard as follows:

<u>Type of Club Unit</u>	<u>Total Rooms</u>	<u>Type of Rooms</u>
Studio	2	1 bedroom, 1 bathroom
One bedroom	3 or 4	1 or 2 bedrooms, 1 bathroom, 1 living room
Two bedroom	5	2 bedrooms, 2 bathrooms, 1 living room
Two bedroom duplex	5 or 6 room	2 bedrooms, 2 or 3 bathrooms, 1 living room

2. THE PURCHASE PRICES AND OTHER TERMS OF SALE OF CLUB INTERESTS MAY BE NEGOTIATED BY SPONSOR AND, THEREFORE, MAY BE CHANGED. ACCORDINGLY, PURCHASERS MAY PAY DIFFERENT PURCHASE PRICES FOR SIMILAR CLUB INTERESTS. The effect of this, as well as the right of Sponsor to change purchase prices, is more particularly discussed in the Section of the Offering Plan entitled "Changes in Prices and Facilities." In addition to the payment of the purchase price, each Purchaser will be responsible for the payment of certain closing costs and expenses at the time of Closing, as explained in the Section of the Offering Plan entitled "Closing Costs". If Purchaser obtains a mortgage loan from Sponsor or other lender, Purchaser will be responsible for the payment of additional closing costs and expenses relating to such loan. There may be an apportionment of certain charges relating to the

Club Interest at the time of the Closing of Title. THESE PRICES HAVE BEEN SET BY SPONSOR AND ARE NOT SUBJECT TO REVIEW OR APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENT AGENCY.

3. The estimated Club Charges contained in this column are for the period from January 1, 2017 to December 31, 2017 based on the "Schedule B - Club Budget" prepared by Sponsor in consultation with the Club Budget Expert. Club Charges include Real Estate Taxes assessed against the Club Units and other Club Expenses. The Club Association reserves the right to bill Club Members for Club Charges more often than once a year.

The estimated annual Real Estate Taxes of \$1,372,499 for the 2017 budget calendar year for the Club Units are based upon tax assessments published by the City of New York, that: (a) the approximate allocated assessed taxable value of the Club Units during the second half of the 2016/2017 tax year is \$12,321,283 in the aggregate and during the first half of the 2017/2018 tax year is estimated to be \$12,564,364 in the aggregate for a total 2017 market value of \$27,380,618 (rounded); and (b) the effective tax rate in effect for the 2016/2017 tax year is \$10.656 per \$100 of assessed valuation and the tax rate in effect for the 2017/2018 tax year is estimated to be \$10.975 per \$100 of assessed valuation with respect to the Club Units. While the legal responsibility for Real Estate Taxes lies with each Club Member, the Club Association will collect Real Estate Taxes from each Club Member (which are included in the Club Charges) and remit the same on behalf of each Club Member to the taxing authorities. In addition to these estimated Club Charges, each Owner will be responsible for mortgage payments under a loan, if any, obtained to finance the purchase of the Club Interest.

EXHIBIT "B"

2016 CONDOMINIUM FINANCIAL STATEMENTS

DEF00244508

FIFTH AND FIFTY-FIFTH CONDOMINIUM
NEW YORK, NEW YORK
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Myers
Brettholtz
& COMPANY, PA
CPAs and Consultants

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DEF00244509

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DEF00244510

**Myers
Brettholtz
& COMPANY, PA**

CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Fifth and Fifty-Fifth Condominium

We have audited the accompanying financial statements of Fifth and Fifty-Fifth Condominium, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fifth and Fifty-Fifth Condominium as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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DEF00244511

To the Board of Managers of
Fifth and Fifty-Fifth Condominium

Other Matter

The supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements is not presented because a replacement fund has not been established, as further described in Note 8. The supplementary information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the supplementary information on future major repairs and replacements that has not been presented.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses - budget to actual, which is the responsibility of the Condominium's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Myers, Brettholtz & Company, PA

MYERS, BRETHOLTZ & COMPANY, PA
Fort Myers, Florida
February 27, 2017

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DEF00244512

FIFTH AND FIFTY-FIFTH CONDOMINIUM
 BALANCE SHEETS
 DECEMBER 31,

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,368,563	\$ 1,475,527
Accounts receivable - members, net	31,911	14,768
Due from Manager	-	74,557
Prepaid expenses	1,612	462
Total assets	<u>\$ 1,402,086</u>	<u>\$ 1,565,314</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenses	\$ 10,148	\$ 29,375
Income taxes payable	25	25
Due to Manager	21,966	-
Assessments received in advance	9,362	-
Deferred refurbishment fees	-	280,700
Total liabilities	<u>41,501</u>	<u>310,100</u>
FUND BALANCE	<u>1,360,585</u>	<u>1,255,214</u>
Total liabilities and fund balance	<u><u>\$ 1,402,086</u></u>	<u><u>\$ 1,565,314</u></u>

Read Independent Auditor's Report.
 The accompanying notes are an integral
 part of the financial statements.

**FIFTH AND FIFTY-FIFTH CONDOMINIUM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31,**

	2016	2015
REVENUES		
Common charges	\$ 22,472,731	\$ 21,822,303
Refurbishment fees	280,700	-
Interest	2,196	423
Late fees and interest	6,100	1,529
 Total revenues	 22,761,727	 21,824,255
 EXPENSES		
Operations	11,049,344	10,763,664
Administrative and general	2,469,888	2,476,587
Telecommunications	510,092	300,359
Repairs and maintenance	3,593,482	3,647,089
Energy	2,747,052	2,804,550
Guest laundry	651,890	555,151
Administration	1,917	4,558
Board and membership meetings	3,529	2,090
Provision for uncollectible accounts	42,468	1,540
Legal and audit	14,166	15,047
Income taxes	25	25
Insurance	507,149	554,539
Management fees	123,804	125,880
 Total expenses	 21,714,806	 21,251,079
 Excess of revenues over expenses	 1,046,921	 573,176
 FUND BALANCE - January 1.	 1,255,214	 682,038
 SURPLUS DISTRIBUTION	 (941,550)	 -
 FUND BALANCE - December 31,	 \$ 1,360,585	 \$ 1,255,214

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

**FIFTH AND FIFTY-FIFTH CONDOMINIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,046,921	\$ 573,176
Provision for uncollectible accounts	42,468	1,540
Changes in:		
Accounts receivable - members	(59,611)	(16,308)
Accounts receivable - other	-	24,050
Due from Manager	74,557	(74,557)
Prepaid expenses	(1,150)	10,131
Accounts payable and accrued expenses	(19,227)	(137,452)
Due to Manager	21,966	(380,105)
Assessments received in advance	9,362	-
Deferred refurbishment fees	<u>(280,700)</u>	<u>7,479</u>
Net cash provided by operating activities	834,586	7,954
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus distribution	<u>(941,550)</u>	-
Net (decrease) increase in cash	(106,964)	7,954
CASH AND CASH EQUIVALENTS - January 1,	<u>1,475,527</u>	<u>1,467,573</u>
CASH AND CASH EQUIVALENTS - December 31,	<u>\$ 1,368,563</u>	<u>\$ 1,475,527</u>

SUPPLEMENTAL INFORMATION

Income taxes paid	<u>\$ 25</u>	<u>\$ 25</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

FIFTH AND FIFTY-FIFTH CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - THE CONDOMINIUM

Fifth and Fifty-Fifth Condominium (the "Condominium"), was formed on June 13, 2006, to be responsible for the management of a high-rise estate project (the "Project") consisting of distinct mixed-use components located in New York, New York.

The Project consists of: (1) 15 suite units, located on the 10th and 11th floors of the building, (2) 31 club units, located on the 8th, 9th, 10th and 11th floors of the building, and (3) two commercial units, one of which (the "Hotel unit") is located on portions of each floor (other than the 8th, 9th, 10th, and 11th floors) of the building and the "Retail unit" which is located on portions of the 1st and mezzanine floors of the building. The owners of all units in the Condominium are the only members.

SLT Palm Desert, LLC, a Delaware limited liability company (as to 10.7567% tenant-in-common interest); SLT Realty Limited Partnership, a Delaware limited partnership (as to a 63.5756% tenant-in-common interest); Prudential HEI Joint Venture, a Georgia general partnership (as to an 11.3826% tenant-in-common interest); and SLT St. Louis, LLC, a Delaware limited liability company (as to a 14.2851% tenant-in-common interest) are the developers of the Project (the "Developer"). Until all units have been sold, the Developer has the right to use and transact on the property, any business necessary to consummate sale, resale or rental of all the units owned by the Developer.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Condominium has evaluated events and transactions for potential recognition or disclosure through February 27, 2017, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Condominium prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. The Condominium accounts for potential losses in accounts receivable utilizing the allowance method. The Condominium maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding years, taking into account historical losses, industry standards and current economic conditions. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible accounts. Provision for uncollectible accounts expense for the years ended December 31, 2016 and 2015 was \$42,468 and \$1,540, respectively.

Read Independent Auditor's Report.

FIFTH AND FIFTY-FIFTH CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Common Property

The Condominium is responsible to preserve and maintain the common property of the Project. Ownership of the commonly owned assets is vested directly or indirectly in the members, those assets are not titled in the Condominium's name and disposition of those assets by the Board of Managers (the "Board") is restricted. As a result, commonly owned assets are not presented in the Condominium's financial statements.

The general common elements and the hotel limited common elements are set forth in detail at Article 7 of the Second Amended and Restated Declaration of Fifth and Fifty-Fifth Condominium, as may be amended from time to time.

Income Taxes

Management has analyzed its various federal and state filing positions and believes that the Condominium's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Association's federal and state income tax returns remain subject to examination by the Internal Revenue Service and the State of New York, respectively, for three years from the date of filing.

The Condominium has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Condominium is not taxed on uniform assessments to members and other income received from Condominium members solely as a function of their membership in the Condominium. The Condominium is taxed at a rate of 30% on its investment income and other non-exempt function income, less allocable expenses. There are no temporary differences between the financial reporting and tax reporting with respect to the non-exempt function income; therefore, no deferred tax provision has been recorded. The Condominium incurred an income tax liability of \$25 for the years ended December 31, 2016 and 2015.

Fair Value of Financial Instruments

Substantially all of the Condominium's assets and liabilities, excluding prepaid expenses, assessments received in advance and deferred refurbishment fees, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenue Recognition

Common charges revenue is recorded monthly in the amount of the membership assessment allocation specified for current period operations, and is based on the annual budget adopted by the Board. A proportionate undivided interest in fee simple absolute (expressed as a percentage) in the common elements is assessed for each unit, based on square footage.

Late fees and interest revenue is recognized when collected.

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Flows

For purposes of the statement of cash flows, the Condominium considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Condominium made cash payments for income taxes of \$25 during the years ended December 31, 2016 and 2015. The Condominium made no cash payments for interest during the years ended December 31, 2016 or 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Condominium maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2016 and 2015, \$0 and \$929, respectively, was uninsured, based on the bank statement balances, less the FDIC insurance. Cash balances at an investment services company and cash equivalents totaling \$1,333,281 and \$1,199,306, as of December 31, 2016 and 2015, respectively, are not insured by the FDIC.

As of December 31, 2016 and 2015, the Developer owned the hotel unit and seven suite units, or approximately 44% of the available units.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members consisted of the following as of December 31,

	2016	2015
Common charges	\$ 75,919	\$ 16,308
Less: allowance for uncollectible accounts	(44,008)	(1,540)
	<u>\$ 31,911</u>	<u>\$ 14,768</u>

NOTE 6 - DEFERRED REFURBISHMENT FEES

During the year ended December 31, 2013, the Condominium billed members for refurbishment fees totaling \$831,265 for lobby and reception area refurbishment. The refurbishment fees are recognized as the related expenses are incurred. Unexpended amounts are recorded as deferred revenue on the balance sheet until they are either expended for the purpose of the original assessment, returned to members or used for another purpose as determined and approved by the Board. During the year ended December 31, 2016, the Board approved the transfer of the unexpended refurbishment fees balance of \$280,700 to the operating fund.

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Developer paid common charges of \$18,620,232 and \$18,079,584, respectively. As of December 31, 2016 and 2015, there were no amounts due from the Developer.

St. Regis New York Operating LLC (the "Manager") is an affiliate of the Developer. Substantially all operating expenses have been allocated to the Condominium from the Manager. As of December 31, 2016, due to Manager of \$21,966 consisted of operating expenses of the Condominium paid by the Manager. As of December 31, 2015, due from Manager of \$74,557 consisted of reimbursements due to the Condominium.

NOTE 8 - REPLACEMENT FUND

A replacement fund has not been established; therefore, no reserve assessments have been levied. If funds are needed, the Condominium has the right, subject to the Board's approval, to charge regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 9 - COMMITMENTS

The Condominium has an agreement ending May 31, 2019, with the Manager. The Manager provides on-site management and maintenance services, and off-site administrative and accounting services. The agreement automatically renews for successive three-year periods unless, at least 90 days prior to the expiration of the then-current term, either party gives written notice to the other of its election not to extend the term. The management agreement provides that the Manager may subcontract its rights, duties and obligations under the management agreement.

The Condominium has a banking agreement ending April 25, 2018 with the Manager, Vistana Residential Management, Inc. and Vistana Management, Inc. ("VMI"), who has guaranteed or indemnified the Condominium's liability for overdrafts with banks or other entities providing financial services to the Condominium. The agreement gives VMI the right to reimburse itself for the amount of any overdrafts, if any, incurred on the Condominium's behalf. The agreement automatically renews for successive three-year periods unless terminated according to the terms of the agreement.

NOTE 10 - ECONOMIC DEPENDENCY

The Condominium derived approximately 82% and 83% of its revenue from the Developer during the years ended December 31, 2016 and 2015, respectively.

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SUPPLEMENTARY INFORMATION

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u> (<i>Unaudited</i>)	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Common charges	\$ 22,472,728	\$ 22,472,731	\$ 3
Refurbishment fees	-	280,700	280,700
Interest	751	2,196	1,445
Late fees and interest	1,163	6,100	4,937
Total revenues	22,474,642	22,761,727	287,085
EXPENSES			
OPERATIONS			
Managers	655,942	655,942	-
Bellman	516,962	516,962	-
Concierge	184,980	184,980	-
Doorman	320,898	320,898	-
Page	270,110	270,110	-
Houseperson	960,028	960,028	-
Public area attendant	193,944	193,944	-
Front office	427,167	427,167	-
Butler	2,432,717	2,432,717	-
Benefits	4,166,768	4,166,768	-
Contract services	202,020	154,071	47,949
Decorations	128,065	83,333	44,732
Uniforms	186,739	147,117	39,622
Cleaning supplies	18,736	12,809	5,927
Operating supplies	282,792	308,281	(25,489)
Cable television	200,927	214,217	(13,290)
Telecommunications	23,184	-	23,184
Total operations	11,171,979	11,049,344	122,635
ADMINISTRATIVE AND GENERAL			
Management	691,098	691,098	-
Accounting office	30,251	30,251	-
Human resources	42,917	42,917	-
Administration	20,786	20,786	-
Security salaries and wages	593,824	593,824	-
Bonus wages	21,627	7,389	14,238
Benefits	767,620	767,620	-
Operating supplies	25,714	39,441	(13,727)
Payroll service	56,093	58,468	(2,375)

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u> (<i>Unaudited</i>)	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATIVE AND GENERAL (Continued)			
Personnel relocation	15,384	7,443	7,941
Personnel recognition	54,461	70,265	(15,804)
Personnel training	47,906	59,688	(11,782)
Telecommunications	17,002	29,138	(12,136)
Uniforms	8,578	9,708	(1,130)
Postage	2,698	1,572	1,126
Print and stationery	10,690	5,689	5,001
Professional fees and dues	753	7,831	(7,078)
Security	9,408	8,634	774
Bank fees	1,883	2,232	(349)
Six sigma distribution	-	15,894	(15,894)
Total administrative and general	<u>2,418,693</u>	<u>2,469,888</u>	<u>(51,195)</u>
TELECOMMUNICATIONS			
Salaries and wages	307,451	307,451	-
Benefits	202,641	202,641	-
Total telecommunications	<u>510,092</u>	<u>510,092</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Salaries and wages	1,247,054	1,247,054	-
Benefits	817,569	817,569	-
Alarm maintenance	5,751	6,949	(1,198)
Building	241,433	175,633	65,800
Computer system maintenance	268,446	264,230	4,216
Contract services purchasing	55,916	23,872	32,044
Curtain and drapes	-	381	(381)
Electrical and mechanical equipment	16,628	16,387	241
Electric bulbs	30,701	31,782	(1,081)
Elevators	461,357	398,905	62,452
Engineering supplies	4,283	6,553	(2,270)
Floor coverings	8,557	9,368	(811)
Furniture and equipment	3,573	5,443	(1,870)
Grounds / landscaping	66,965	45,447	21,518
HVAC	75,574	95,352	(19,778)
Keys and locks	9,692	14,776	(5,084)
Laundry equipment	4,934	7,037	(2,103)
Maintenance contract	137,054	146,964	(9,910)
Miscellaneous	-	1,405	(1,405)
Operating supplies	2,144	5,516	(3,372)
Painting and decorating	6,355	13,905	(7,550)
Pest control	53,597	40,537	13,060
Plumbing	39,429	106,704	(67,275)
Telecommunications	6,789	-	6,789
Television and radio	5,894	3,593	2,301

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u> (<i>Unaudited</i>)	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REPAIRS AND MAINTENANCE (Continued)			
Signs	2,859	1,046	1,813
Tools	8,411	4,727	3,684
Uniforms	3,692	5,395	(1,703)
Waste removal	103,623	96,952	6,671
Total repairs and maintenance	<u>3,688,280</u>	<u>3,593,482</u>	<u>94,798</u>
ENERGY			
Electric current	1,638,642	1,381,992	256,650
Steam	889,683	802,990	86,693
Sewer	336,041	353,743	(17,702)
Water	193,767	208,327	(14,560)
Total energy	<u>3,058,133</u>	<u>2,747,052</u>	<u>311,081</u>
GUEST LAUNDRY			
Salaries and wages	371,359	371,359	-
Benefits	268,084	268,084	-
Print and stationery	2,391	520	1,871
Uniforms	1,415	2,636	(1,221)
Miscellaneous	-	4	(4)
Operating supplies	9,565	9,287	278
Total guest laundry	<u>652,814</u>	<u>651,890</u>	<u>924</u>
ADMINISTRATION			
Administration	1,176	1,176	-
Administration other	3,060	741	2,319
Total administration	<u>4,236</u>	<u>1,917</u>	<u>2,319</u>
BOARD AND MEMBERSHIP MEETINGS			
	<u>6,000</u>	<u>3,529</u>	<u>2,471</u>
PROVISION FOR UNCOLLECTIBLE ACCOUNTS			
	<u>25,000</u>	<u>42,468</u>	<u>(17,468)</u>
LEGAL AND AUDIT			
Legal	5,158	6,466	(1,308)
Audit	7,500	7,700	(200)
Total legal and audit	<u>12,658</u>	<u>14,166</u>	<u>(1,508)</u>
INCOME TAXES			
	<u>300</u>	<u>25</u>	<u>275</u>
INSURANCE			
	<u>577,653</u>	<u>507,149</u>	<u>70,504</u>

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FIFTH AND FIFTY-FIFTH CONDOMINIUM
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
MANAGEMENT FEES	<u>123,804</u>	<u>123,804</u>	<u>-</u>
CONTINGENCY	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total expenses	<u>22,474,642</u>	<u>21,714,806</u>	<u>759,836</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 1,046,921</u>	<u>\$ 1,046,921</u>

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